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RUEHBJ/AMEMBASSY BEIJING 2174  
RUEHKO/AMEMBASSY TOKYO 2039  
RUEHIT/AMCONSUL ISTANBUL 2610  
RHEBAAA/DEPT OF ENERGY WASHDC  
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RUCPDOG/DEPT OF COMMERCE WASHDC  
RUEAIIA/CIA WASHDC  
RHEFDIA/DIA WASHDC  
RUEKJCS/JOINT STAFF WASHDC  
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C O N F I D E N T I A L SECTION 01 OF 03 ASHGABAT 001329

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E.O. 12958: DECL: 10/07/2018  
TAGS: [PINR](#) [PREL](#) [ECON](#) [EPET](#) [ETRD](#) [TX](#)  
SUBJECT: TURKMENISTAN: RELATIONS WITH GERMAN COMPANIES  
BUILT ON PERSONAL TIES AND PAVE WAY FOR BERDIMUHAMEDOV  
VISIT TO GERMANY

REF: A. ASHGABAT 1327  
[1](#)B. ASHGBAT 1324

Classified By: Charge Sylvia Reed Curran for reasons 1.4 (b) and (d).

[1](#)1. (C) SUMMARY: President Gurbanguly Berdimuhamedov will visit Germany November 13-16 for meetings with German officials and with German business executives, including with BASF/Wintershall, the largest German investor in Turkmenistan. According to Wintershall's resident manager, the Turkmen approached the Germans for help in constructing pricing formulas and defining commercial instruments. Wintershall believes its success in Turkmenistan is due to relations built with officials and a willingness to adapt to the local mindset. The Wintershall manager said that the atmosphere at the State Agency for Management and Use of Hydrocarbons has improved since the departure of former Executive Director Muradov. The new Director, Yagshygeldi Kakayev, not only knows oil and gas issues, but has a better relationship with both his subordinates and Deputy Chairman for Oil and Gas Tagiyev. The Wintershall manager also believes that the Turkmen policy prohibiting foreign companies doing exploration onshore will not last. END SUMMARY.

BERDIMUHAMEDOV'S VISIT TO GERMANY

[1](#)2. (C) The manager for the German company Wintershall, Kal Sandhu, briefed Charge on October 3 on the company's dealings with the Turkmenistan government and President Berdimuhamedov's upcoming visit to Germany. Sandhu said that the November 13-16 visit is being handled by Germany's Ministry of Economy and the Turkmenistan Presidential Apparat. In addition, a private firm called Goetz Partners is working with the Turkmen on the particulars of the visit. The Goetz Partners officials had visited Turkmenistan 6 -7 times in September alone. (COMMENT: German diplomats in Ashgabat have opined that Goetz may also be doing some kind of "consultative" work for the Turkmen government. END

COMMENT.) So far, they have planned for a formal dinner the evening of the 13th, and then meetings with German officials, on the 14th. Wintershall's parent company, BASF, has an office in Berlin, and BASF officials will attend the formal dinner. Sandhu said that Wintershall is the largest German investor in Turkmenistan.

¶3. (C) The evening of the 14th, Berdimuhamedov leaves Berlin for Munich, where he will have "private time" November 14-16. Wintershall executives plan to meet with Berdimuhamedov in Munich. They had hoped to meet with the Turkmen president in Kassel, where Wintershall's headquarters is located, but Berdimuhamedov's 767 plane cannot land there. According to Sandhu, Berdimuhamedov had visited Munich a couple of times when he was Minister of Health. He has a long association with Siemens and has friends in the area. Sandhu said German officials "do not care" what Berdimuhamedov does after he leaves Berlin. On November 16, Berdimuhamedov leaves for Austria. (COMMENT: German diplomats in Ashgabat believe he may be wined and dined by Siemens executives during his time in Munich. Siemens has hosted both Berdimuhamedov and former President Niyazov on German vacations in the past. German diplomats consider Siemens, which sells millions of dollars worth of medical and other computer technology to Turkmenistan each year, to be "sleazy." END COMMENT.)

#### TURNING TO THE GERMANS FOR HELP

¶4. (C) Sandhu said the Turkmen have a great deal of respect for Wintershall and for the Germans, generally. Deputy

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Chairman for Oil and Gas Tachberdi Tagiyev approached the German ambassador and asked for German help in constructing pricing formulas and defining the various commercial instruments spelled out in the new hydrocarbons law. (COMMENT: Tagiyev may have been seeking help in determining an acceptable pricing formula for the sale of gas to Gazprom, a key issue still hindering a final sales agreement between Russia and Turkmenistan. END COMMENT.) The German ambassador turned to Wintershall for help in doing this. Sandhu said the Turkmen do not understand service contracts, concession royalties, or any of these instruments.

¶5. (C) In a meeting with Wintershall board members the week of September 29, Tagiyev praised the company's excellent organization as well as its demonstrated skills and project management. Tagiyev told the Wintershall board that Turkmenistan wanted more companies like Wintershall. Sandhu said that he and Wintershall had been able to build a relationship with State Agency for the Management and Use of Hydrocarbons officials, whom he described as not being very knowledgeable. Sandhu claimed to have drafted a lot of their letters from Muradov and to have had his staff translate letters into Turkmen for State Agency transmittal to other Turkmenistan government entities. While granting that this was an unusual bit of cooperation, he, nevertheless, claimed it worked. He found that after doing this, the officials were more flexible with Wintershall and getting approval was easier. Sandhu offered that other western companies were more rigid, and perhaps lose out because of that. He said it takes time to align oneself to the local mindset.

#### INTERPERSONAL DYNAMICS

¶6. (C) Sandhu asserted there is quite a difference between the atmosphere at the State Agency under present Director Kakayev and former Executive Director Muradov. For example, Muradov belittled the people who worked for him and had a very contentious relationship with Tagiyev. The two often appeared to be in competition. Kakayev, however, gets along much better with Tagiyev and often attends Tagiyev's meetings. He is not a threat to Tagiyev and thus does not have to prove himself. Speaking admiringly, Sandhu said Kakayev was a real oil and gas man, who understands the industry. He also keeps his desk clean and treats

subordinates with respect. (NOTE: A former assistant to Muradov recently told a ConocoPhillips representative that Kakayev has a relationship with the president and therefore does not depend on Tagiyev for presidential consent. Ref A END NOTE.)

#### PROGRESS ON WORK

17. (C) Sandhu said Wintershall had finished drilling offshore on September 12. BASF had developed a polymer that does not pollute the environment of the Caspian that allowed them to drill this well that has water-based mud. This was the first time this technology was used in the Caspian, which he asserted has rather unique geology. The well was drilled in 54 1/2 days, with 0 % injuries or accidents, and came in 3% under budget.

#### WORK ONSHORE

17. (C) Sandhu did not think that the Turkmen policy of not permitting foreign companies to explore onshore was written in stone and would eventually give way to reality. Despite the country's huge reserves of gas (Ref B), the Turkmen still have the problem of meeting production goals. The gas is no good if it does not get monetized. He offered that the

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Turkmen know they need the help of Western majors to drill for sub-salt gas. Nevertheless, they would prefer to get Western investment and technology, and pay the Western companies a fee. The majors, however, want to book reserves.

18. (C) COMMENT: While Turkmen oil and gas experts may know that the country needs the help of Western majors to drill for sub-salt gas, they probably have not shared that with the president. They would be loathe to risk his wrath by admitting to a shortcoming. Nevertheless, the cold, hard fact is that Turkmenistan needs the help of the Western majors to meet their production goals. And it may take convincing the president to change this policy. END COMMENT. CURRAN